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Message Text

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71
ORIGIN SS-10

INFO OCT-01 ISO-00 /011 R

66618
DRAFTED BY EB/ORF/FSE:WBWHITMAN:CJR
APPROVED BY EB/ORF/FSE:MR. BENNSKY
NEA:R DAVIES
S/S-O:R ELTZ
---------- 074477
O 220024Z DEC 73 ZFF4
FM SECSTATE WASHDC
TO ALL OECD CAPITALS IMMEDIATE
AMEMBASSY NEW DELHI NIACT IMMEDIATE
AMEMBASSY BRASILIA NIACT IMMEDIATE
AMEMBASSY CARACAS NIACT IMMEDIATE
USINT ALGIERS NIACT IMMEDIATE
AMEMBASSY TRIPOLI NIACT IMMEDIATE
USINT BAGHDAD NIACT IMMEDIATE
AMEMBASSY KUWAIT NIACT IMMEDIATE
AMEMBASSY JIDDA NIACT IMMEDIATE
AMEMBASSY ABU DHABI NIACT IMMEDIATE
AMEMBASSY TEHRAN NIACT IMMEDIATE
AMEMBASSY LAGOS NIACT IMMEDIATE
AMEMBASSY JAKARTA NIACT IMMEDIATE

S E C R E T STATE 249592

EXDIS, KUWAIT ALSO PASS DOHA

FOLLOWING TEHRAN 9001 ACTION SECSTATE 21 DEC.

QUOTE
S E C R E T TEHRAN 9001

EXDIS

E.O. 11652: GDS
TAGS: ENRG, IR
SUBJ: PRICING POLICIES AT OPEC MEETING
SECRET

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1. AT AUDIENCE ON AFTERNOON OF DECEMBER 20, THE SHAH INDICATED THAT HE IS SERIOUSLY CONSIDERING TRYING TO PERSUADE THE OTHER OPEC MEMBERS AT THE MEETING IN TEHRAN ON DECEMBER 22 THAT WHOLLY NEW PRICING ARRANGEMENTS FOR CRUDE OIL SHOULD BE ESTABLISHED.

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2. WHAT THE SHAH APPARENTLY HAS IN MIND SOUNDS COMPLICATED, AND HIS ASSERTION THAT PERHAPS SOME OF THE OPEC MEMBERS WILL NOT EVEN UNDERSTAND IT CAN HARDLY BE FOUND SURPRISING. IN FACT, HE CONCEDED THAT IT MIGHT BE NECESSARY AT THE DECEMBER 22 MEETING TO ESTABLISH TEMPORARILY FOR 90 DAYS OR SO NEW POSTED PRICES UNTIL THE DETAILS INVOLVED IN HIS SCHEME COULD BE WORKED OUT.

3. AS BEST I COULD UNDERSTAND HIS PRESENTATION, THE SHAH WANTS TO DO AWAY WITH POSTED PRICES AND TO FIX THE PRICE OF CRUDE OIL IN RELATIONSHIP TO THE COST OF OIL PRODUCED FROM SHALE, COAL GASIFICATION AND LIQUEFICATION, ATOMIC ENERGY USED FOR POWER, ETC. HE CLAIMS THAT THE COST INVOLVED IN THESE ALTERNATE SOURCES OF ENERGY RANGE BETWEEN 8 AND 14 DOLLARS PER BARREL WHEN ONE USES THE MATHEMATICS TO CONVERT FROM ONE KIND OF ENERGY TO ANOTHER. THE SHAH FEELS THAT BY FIXING THE PRICE OF CRUDE OIL IN THIS FASHION, IT WILL DO AWAY WITH "SURPRISES" FROM PEOPLE LIKE QADHAFI AND "EVEN MYSELF", AND WILL PLACE A DISCIPLINE ON THE INDUSTRIAL NATIONS OF THE WORLD. IT WILL ALSO ESTABLISH A STABLE RATIO AMONG THE VARIOUS FORMS OF ENERGY. INCIDENTALLY, THE SHAH EXPECTS THAT IRAN WILL SOON BE ONE OF THESE INDUSTRIAL NATIONS AND THAT IN TEN YEARS "IT WILL BE EQUIVALENT TO BRITAIN OR FRANCE".

4. IN COMPUTING THE PRICE OF CRUDE OIL IN RELATION TO THESE OTHER ENERGY SOURCES, THE SHAH BELIEVES THAT CRUDE OIL SHOULD RECEIVE FAVORABLE RECOGNITION BECAUSE IT IS EASIER TO TRANSPORT AND HANDLE, IT IS CLEANER IN AN ENVIRONMENTAL SENSE, AND IT CAN BE CONVERTED INTO PETRO-CHEMICALS AND OTHER PRODUCTS. IN OTHER WORDS, ONE WOULD WANT TO SUBTRACT FROM THE CRUDE OIL PRICE FOR THE COST OF TRANSPORTATION BUT ADD ON TO IT FOR OIL'S VALUE IN THE ENVIRONMENTAL AND CONVERSION SENSE.

5. DEPARTMENT SHOULD DECIDE WHETHER OR NOT THIS TELEGRAM SHOULD BE PASSED TO EMBASSIES IN OTHER OPEC COUNTRIES.
HELMS
UNQUOTE RUSH
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<< END OF DOCUMENT >>

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TAGS: ENRG, US, IR
To: ALL OECD CAPITALS
NEW DELHI NIACT
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CARACAS NIACT
ALGIERS NIACT
TRIPOLI NIACT
BAGHDAD NIACT

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KUWAIT NIACT
JIDDA NIACT
ABU DHABI NIACT
TEHRAN NIACT
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